



**Remarks of  
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U.S. Department of Transportation**

**Military Airlift Committee  
National Defense Transportation Association**

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I am delighted to have the opportunity to be here today. In the world of transportation policy, as with many things, there are always unsung heroes. NDTA and its members, as a result of your tremendous contributions in support of the war in Iraq and Afghanistan and other key missions of the United States Government, are firmly established as heroes in the war on terror. That is why I am especially pleased to be back with you this evening, and to have this opportunity to share with you some of my thoughts on where the aviation sector has been over the last few years and where I see things heading in the future.

**A Time of Great Change in Both Industry and Government**

Before we do that however, I believe it is an appropriate time to reflect a bit on what we have been through over the past four years and what this Administration has accomplished in its first term in office. It is not an overstatement to say that the changes we have experienced have been momentous, both in government and within the industry itself. The world of commercial aviation, particularly passenger aviation, is going through a fundamental transformation – not just because of an unthinkable terrorist attack on our nation and other events like SARS and the war in Iraq – but also because of fundamental market changes that have been brewing for a number of years.

Within government, we have created an entirely new agency – the Department of Homeland Security – which houses, among other things, the new Transportation Security Administration. The TSA was established by a cadre of highly committed government workers and private sector volunteers in less than a year, and it quickly and firmly took on the huge responsibility of

securing our aviation system in the post-9/11 world. While our focus in recent years has remained firmly fixed on advancing security to get passengers back in the sky, we have also done our best to support the aviation industry – the companies, their workers, and passengers alike – during this difficult time, without dictating specific outcomes or picking winners and losers.

The horrible attacks of 9/11 and our response to them obviously defined the first term of this Administration, at least at the Department of Transportation, and no doubt will continue to impact our job for years to come. Now that some time has passed, some of the actions that we have taken since that day may have receded in your mind, so let me quickly review a few of our accomplishments.

On September 11th, a heroic set of controllers at the FAA landed over 5,000 aircraft in about two hours without a single incident – a remarkable achievement – and just a few days later safely restarted the system. In the weeks following that unforgettable day, we worked closely with Congress to develop legislation to compensate airlines for losses incurred as a result of the shutdown, restart a war risk insurance market that had been totally wiped out, and establish the Air Transportation Stabilization Board to provide loan guarantees to carriers that were unable to obtain financing through the commercial marketplace. Once the legislation was signed, the Department's staff worked nearly around the clock to get the \$5 billion in direct compensation out to carriers in record time.

We also embarked on an 18-month process in which we built the TSA from scratch and then sent it and our Coast Guard colleagues over to the new Department of Homeland Security as part of the largest government reorganization in a generation. Secretary Mineta insisted that the Department would meet every one of the 31 congressionally mandated deadlines, although many thought it would be impossible to do so. We did meet those deadlines, including the requirement that we federalize every airport passenger screening station in the country by November 19, 2002 and ensure 100 percent baggage screening by the end of that year. Because of these decisive actions, our nation's air transportation system is safer than it ever has been and, as a testament to that fact, passenger counts are quickly returning to their pre-9/11 levels.

### **Passage of the “VISION 100” Aviation Reauthorization Legislation**

Another major accomplishment of this Administration was securing passage of the VISION 100 aviation reauthorization legislation. This important legislation provided increased funding for airport infrastructure and air traffic modernization efforts; significant improvements in the way we review airport project environmental impacts; new collaborative decision-making and scheduling-reduction tools to assist with demand management at congested airports; and – something that has gotten very little coverage but I predict will have major long-term impacts – congressional endorsement of the Administration's *Next Generation Air Transportation System* initiative.

While some suggested that with lower passenger demand in the months after 9/11 we could slow down our efforts to grow the system's capacity, this Administration has remained steadfast over the last few years in its focus on the long-term need for a robust, modernized air transportation

system – a commitment that appears now to be right on target. In the second term, we will continue our efforts to upgrade the current aviation system while also using the Next Generation initiative to develop the system of the future.

The Next Generation effort brings together for the first time all the relevant federal agencies – DOT, DoD, DHS, Commerce and NASA – to develop a common approach to our nation’s air transportation future. This process has already yielded significant benefits by improving the way NASA, FAA, and other agencies tie research and implementation plans together, and we believe that it can ultimately deliver a system that by 2025 will handle approximately three times the capacity of the current one.

Even as we have sought to plan for a system 20 years down the road, we have not forgotten about the system’s more immediate needs. During 2003, for example, we brought four new runways on-line that added four percent to nationwide system capacity. Over the next five years we expect to complete seven more runways and one major extension.

We are also taking advantage of new technologies wherever possible – for example, we will be installing new radar systems at 12 airports and STARS equipment at 16 over the next two years. We are also introducing Required Navigation Performance, or RNP, which will lead to improved safety, fewer delays, and more efficient use of our airspace.

We have accomplished all this, of course, while retaining our primary focus on aviation safety. Under Secretary Mineta’s leadership, the number of runway incursions has dropped 20 percent over a four-year period and the commercial fatal accident rate is at an all-time low. In support of these objectives, FAA Administrator Marion Blakey is now tackling management reforms at the FAA in an unprecedented way, developing a Flight Plan that ties budgets to specific performance targets – and sticks to them – for the first time. We have also recruited a top notch former industry veteran in Russ Chew as the first head of the FAA’s Air Traffic Organization – and he is developing more precise and useful metrics than we have ever seen before.

## **Progress in Technology Development**

Driving much of the talk about a “Next Generation” air transportation system is the advent of improved navigational capabilities through the Global Positioning System, or GPS, and its augmentations. GPS has become the global standard for aviation navigation capabilities, and we will take advantage of that in making technology improvements as part of the transformed system. I personally have spent a great deal of time working with our DoD colleagues that have responsibility for GPS to ensure that the advances we are making technologically produce maximum benefits for both military and civilian applications.

The FAA has also continued its development of the Wide Area Augmentation System – or WAAS – which became operational last year and provides precision guidance to aircraft at thousands of airstrips where there is currently no other precision landing capability. Having launched WAAS here in the U.S., we are now in the process of extending it throughout the hemisphere in order to move towards a seamless airspace system throughout North America.

## **Pursuing Regulatory Reform and International Liberalization**

I would like to now shift gears a bit and discuss our efforts in two other important areas of aviation: regulatory reform and continued international liberalization. In the domestic area, we have taken important steps to reduce burdensome or unnecessary regulations and allow market forces, whenever possible, to take over. For example, we have reduced regulatory burdens on airports, including the burden of filing airport competition plans. A recent change exempts an airport from filing written updates if the airport has completed its initial plan and filed two updates, except under certain circumstances. We have also streamlined several federal regulations with respect to the Passenger Facility Charge process, and are considering ways to reduce the burden of other grant assurances as well.

Another critical change we made is that, as of July 2004, two decades of federal regulations governing most aspects of airline computer reservation systems came to an end. The deregulation of CRSs has helped fuel a huge shift towards direct booking through airline websites and other means, and reflects the enormous changes that have occurred in information systems and in the growth of new airline ticket distribution channels. This has resulted in much greater transparency and price competition for airline passengers.

These advances, of course, are all aimed at allowing our system to handle more passengers and cargo efficiently and safely, both domestically and internationally. But all the infrastructure and technology improvements in the world will mean nothing if our carriers lack the international traffic rights necessary to responding effectively to increased demand. Unfortunately, too many of our air services markets – especially some of the larger ones like Japan, Mexico and the UK – remain artificially constrained by outdated bilateral agreements that restrict the growth of critical international markets. That is why we continue to lead the world down the path of greater international liberalization, building upon the highly successful Open Skies approach to international negotiations begun in the first Bush Administration. As a result, we now have over 60 Open Skies partners around the world, and have inked new, liberalized deals with several other major countries as well.

Perhaps most importantly, last July Secretary Mineta signed an agreement with China that will increase by five times the number of weekly flights between our two countries, helping to support the movement of people and goods and helping to improve relations with what is now our largest trading partner in Asia. We made the first designation under this agreement just a couple months ago, and we will have additional opportunities for U.S. carriers to enter this market or expand their presence over the next several years.

Obviously, these new agreements open up markets not only for our passenger and cargo carriers but also create new opportunities for those who manufacture aircraft or aircraft parts. In addition to signing these new liberalization agreements, we are also working to ensure that American manufacturers compete on a level playing field with their foreign competitors, and in support of that goal recently brought a case before the WTO against the European Union countries arguing that the support they provide to Airbus constitutes an unfair subsidy.

In another move designed to recognize the global nature of this industry, the Bush Administration proposed an increase in the limits on foreign ownership from the current 25% up to 49%, to give U.S. carriers greater access to global capital markets. Unfortunately, Congress did not take us up on that offer as part of VISION 100, but we will continue to pursue that change, as it does not make any sense to deny U.S. carriers access to this additional capital, especially at this critical time for the industry.

In sum, over the next four years we will continue to examine ways in which we can help U.S. carriers take advantage of new markets in order to deliver better and increased services to their customers. We remain committed to negotiating a single, comprehensive Open Skies agreement with the newly-expanded European Union. This is a priority for us and for U.S. carriers.

As we engage in this process, we will continue to work with our DoD colleagues to ensure that any proposed changes do not threaten the integrity of the nation's airlift capacity. We recognize that the global mobility of our armed forces is dependent upon that capacity, and we want DoD – and NDTA – to be at the table should any significant changes be considered. That is why I am pleased that the Civil Reserve Air Fleet teams working on these issues bring together representatives from all the relevant departments. These issues are too important to be resolved without an Administration-wide consensus, and we look forward to working with all of you in order to build this consensus in an effort to modernize and improve our global aviation system.

## **Conclusion**

Before I close, I would like to say a brief word about the current state of the industry. While many of our legacy airlines continue to struggle financially and must work hard to bring their costs into line with the industry as a whole, there are some bright spots. For example, our carriers' international networks are thriving as never before, and many of the low-cost carriers, express delivery companies, and regional carriers continue to earn profits, notwithstanding fuel prices that are at an all-time high.

Despite the difficulties that we have experienced, I am confident that we will weather the current storm and that the aviation and aerospace industry – no doubt with some substantial changes – will emerge better equipped than ever before to meet the needs of the tens of millions of Americans who depend on it. For our part, the Bush Administration will continue to provide strong leadership across a wide range of issues, so that we can build upon our successes in the years ahead.

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